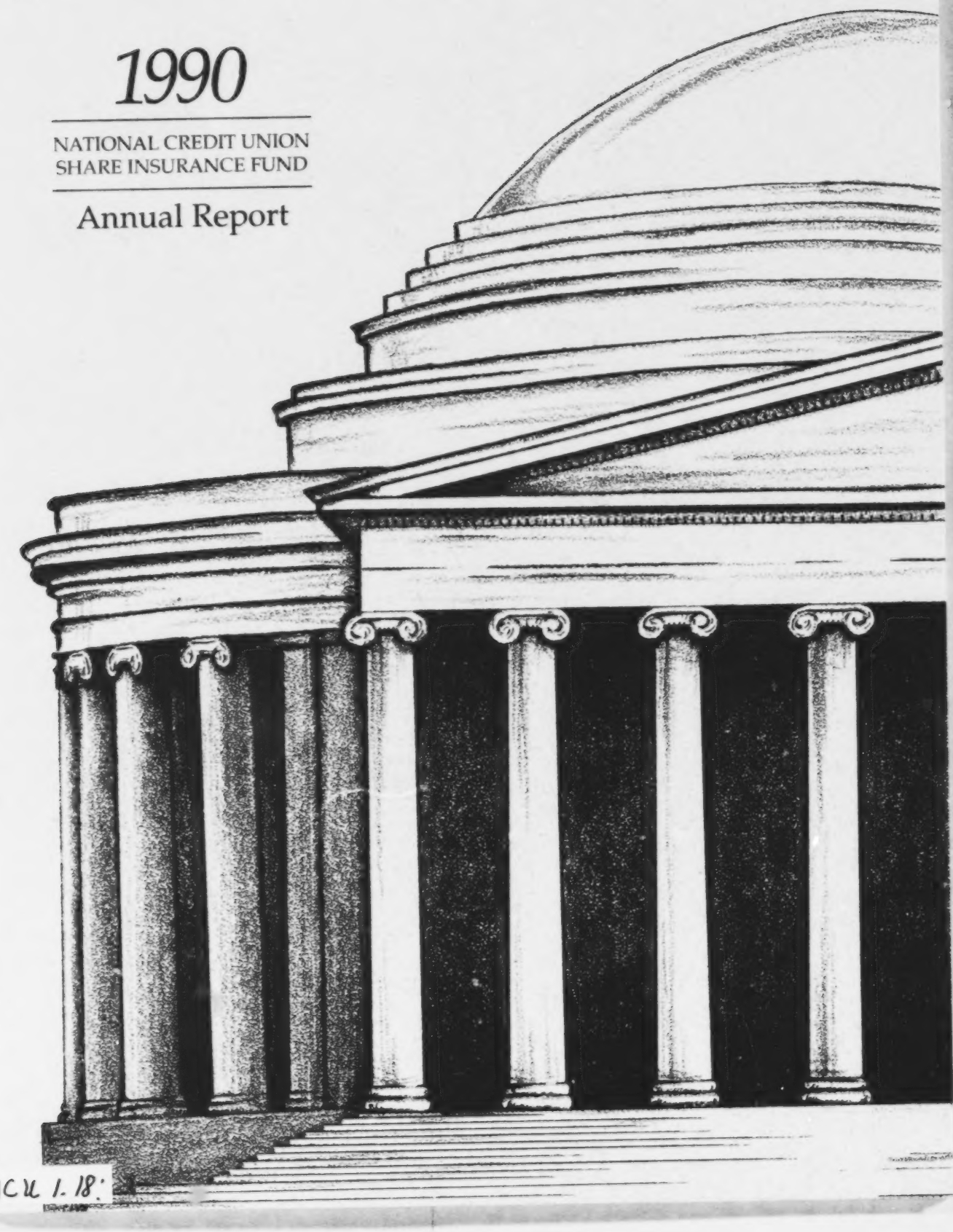
990

1990

NATIONAL CREDIT UNION
SHARE INSURANCE FUND

Annual Report



NCUA 1.18

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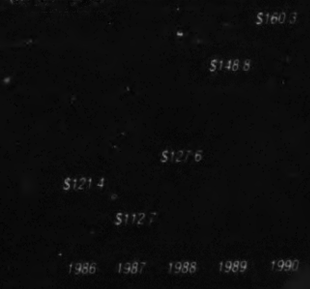
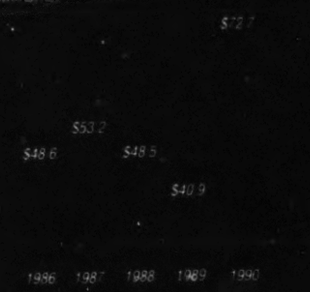
NCUSIF Highlights Fiscal Year 1990

NCUSIF Gross Income
(In Millions)

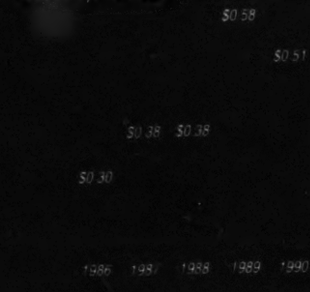


NCUSIF Net Income
(In Millions)

NCUSIF Reserves
(In Millions)



NCUSIF Losses Per $1,000 of Insured Shares

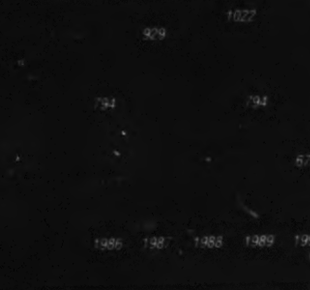


NCUSIF Equity Ratio

Credit Union Highlights Fiscal Year 1990

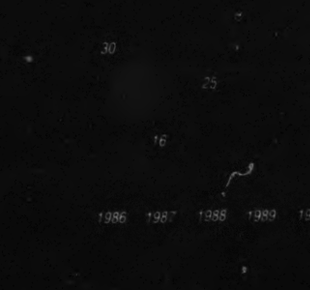
Total Insured Shares
(In Billions–June 30)

Number of Problem Credit Unions
CAMEL Codes 4 & 5

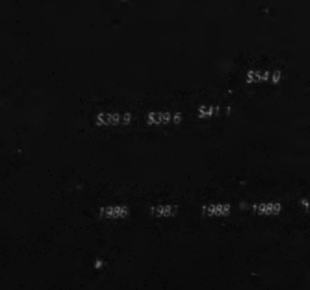


Percentage of CAMEL Code 4 & 5 Shares to Total Insured Shares

Number of 208 Cases Outstanding



Amount of 208 Non-Cash Assistance Outstanding
(In Millions)



ANNUAL REPORT

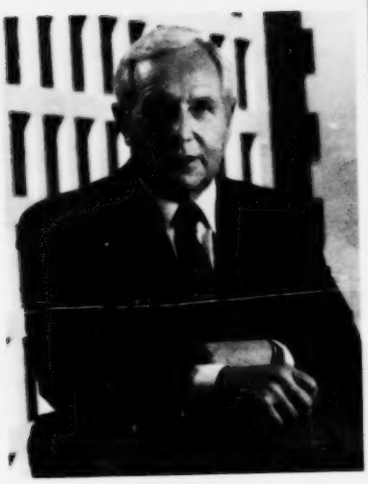
1990

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Table of Contents

Chairman's Statement	**1**
Board Member's Statement	**2**
Director's Message	**3**
Credit Union Highlights – 1990	**4**
Supervision of Federally Insured Credit Unions	**5**
Scope of Insurance Coverage	**9**
Financial Status of Federally Insured Credit Unions	**11**
Financial Assistance to Credit Unions	**12**
Department of Operations	**15**
Asset Liquidation Management Center	**16**
NCUSIF Financial Review	**17**
Mergers, Liquidations, and Purchase & Assumptions	**20**
Financial Reporting Practices	**23**
Insurance Fund Report	**24**
Ten Year Financial Trend	**31**
Legislative History and Organization	**35**

Chairman's Statement



Consider the contrast: one year ago, the critics of the NCUSIF were certain that credit unions were the next S&Ls and the Fund was based on double accounting. Today, credit union opponents have muted their criticism as credit unions remain the best capitalized of all financial institutions; the insurance fund continues to grow in assets, reserves and income; and legislation has been introduced to restructure the bank insurance fund using the capitalization feature of the NCUSIF.

This year marks the twentieth anniversary of NCUSIF operations. In its twenty years, the Fund has never sustained a net operating loss, and in fact continues to strengthen. Assets have grown to over $2.1 billion, and reserves for problem credit unions are at their highest level ever. Net income for 1990 is almost fifty percent greater than that of 1989.

For the sixth straight year, the NCUSIF has received an unqualified opinion on the fiscal year-end financial statements from our independent auditor, Price Waterhouse. We also expect a similar opinion soon from the General Accounting Office.

Although I believe our staff does a fine professional job of managing the NCUSIF, the cornerstone of its success is based on your confidence and support, for which I am thankful. Together we will maintain a safe and sound credit union system.

Roger W. Jepsen
Chairman

Board Member's Statement

As we bring to a close this first year of the new decade, I am impressed by the importance of our efforts in the regulatory arena and the impact that they have on the average citizen. It is a privilege to serve as a member of the NCUA Board.

After almost seven years as a credit union manager, serving today as a member of this Agency has provided me new insight into the importance of maintaining the strength and independence of the NCUA. The changes made during the past ten years in the area of training and supervision, deposit insurance, and regulation have placed the credit union system on a sound financial foundation.

Yet, our resolve will be tested during the coming years as Congress and the nation evaluate changes which will be made to the financial services industry. Decisions made during this period will determine the direction of this industry well into the next century.

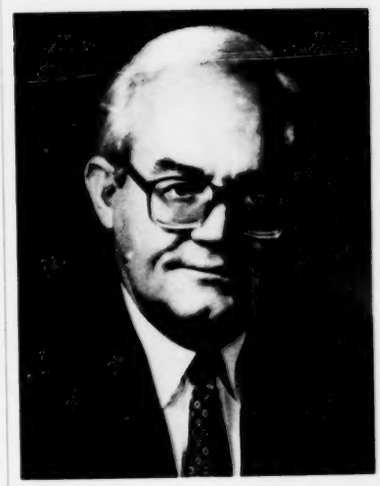
The strength and vitality of the credit union system will stand as an example for others to follow.

We all owe a debt of gratitude to the men and women of NCUA who have over the years dedicated themselves to creating a regulatory system that is second to none. These individuals have made tough decisions, sometimes against great opposition, that in the end have proven to be wise and correct.

The numbers contained here in this report prove it.

We today are the beneficiaries of those decisions. We must not forget that the future demands no less from all of us. I am confident that credit unions and NCUA are up to the task.

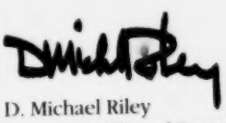
Robert H. Swan
Board Member



Director's Message

By any measure, both credit unions and the NCUSIF have completed one of the most successful years ever. With an uncertain economy looming and the daily predictions of a recession, credit unions should reap the benefits of their planning and risk management of the last few years. There is little doubt that NCUSIF losses will be higher if the economy worsens. There is no doubt that we are fully prepared to do whatever it takes, including the assessment of an insurance premium, to stay rock solid. Fortunately, we have been working extremely hard to prevent excess loss exposure, resolve problems quickly, and to manage risk. Every year seems to bring newer and tougher challenges, and every year credit unions and NCUA have met those challenges. The following pages summarize a consistently strong performance for twenty straight years.

As always, we appreciate your thoughts, observations, and opinions about ways to improve our operation.



D. Michael Riley
Director, Office of Examination and Insurance

Credit Union Highlights – 1990

Credit unions continued to attract member savings in a period of increased competition for funds. While growth in share deposits was about 4.7% for 1989, total shares and deposits grew at an annual rate of 13% as of June 30, 1990. The upswing in deposit growth for 1990 is attributed to several factors:

- Credit unions offer higher savings rates than banks and savings and loans;
- Increased consumer savings due to fear of a recession; and
- A shifting of deposits from failed banks and savings and loans to credit unions.

Loan growth in credit unions experienced the adverse effect of recession fears. Consumers tend to reduce borrowing and increase savings when they are unsure of the direction of the economy. At June 30, 1990, total loans grew at an annual rate of 2.2%, well below the 9% of last year. However, both home mortgage and equity loans continued to grow, but at a slower pace than 1989, while new auto and other types of consumer loans dropped in growth. Credit union delinquency on outstanding loans dropped to its lowest level in a decade at 1.6% from 1.8% from last year.

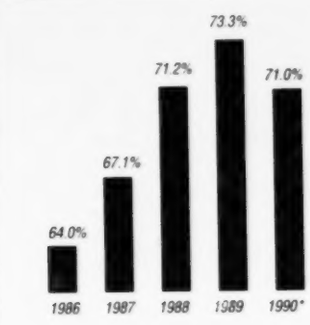
Another indicator of credit union success in 1990 is profitability. Net income (before reserve transfers) grew at an annual rate of 7.4%, compared to 7% for 1989. Net income as a percentage of average assets (return on average assets) also improved slightly.

Capital-to-asset ratios continue to be at their highest level in a decade. Credit unions had an annualized capital-to-assets ratio 7.8% as of June 30, 1990. (The capital to assets ratio was 7.4% as of June 30, 1989.)

Shares Outstanding
(Billions - December 31)

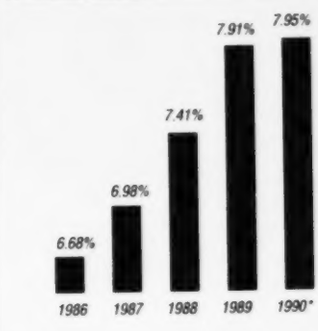
*Projected

Loan to Share Ratio
(Billions - December 31)



*Projected

Capital Ratio
(Billions - December 31)



*Projected

Supervision of Federally Insured Credit Unions

Examination and Supervision Program

The credit union industry has undergone remarkable changes over the past 20 years. At the same time the NCUA examination and supervision program has continually evolved to meet the ever changing challenges presented. The examination and supervision program consists of a coordinated and interrelated group of programs and activities which include:

- examination policies and procedures;
- automated core examination system (ACES);
- CAMEL rating system;
- examiner training;
- corporate credit union examination program;
- quality control, and
- state insurance review program.

Examination Policies and Procedures

Examination policies and procedures affect all federal and federally insured state-chartered credit unions. NCUA strives to establish examination policies and procedures which strike a balance between managing available resources and providing regular, active, on-site supervision of all federal credit unions. The scope of the examination in 1970 concentrated on proving the accuracy of records and regulatory compliance. With the advent of share insurance, the examination program shifted more toward the assessment of risk. Today, the examination program still includes a review of accounting records; however, the examiners spend most of their time analyzing the policies of the board and evaluating financial conditions and trends. NCUA's long history of working with credit union officials remains unchanged. The examiners' goal is to work with credit union officials in the cooperative spirit of credit unions to resolve problems together.

Examination policies are developed through an ongoing program of review and adjustments. Examination policies and procedures are developed through the committee approach, using examiners, regional office staff, central office staff and state credit union supervisors. The committee is charged with ensuring that examination policies and procedures are consistent, effective and practical. In order to achieve uniformity of results, a CORE examination program was developed. This CORE examination program is used by all federal examiners and most state examiners who examine federally insured state-chartered credit unions.

Automated Core Examination System (ACES)

In 1970, examiners were issued an adding machine, a manual typewriter and seven-column pads. Gradually, as technology improved, NCUA moved along with it. NCUA was a pioneer in developing the use of financial calculators as a part of the examination program. Ultimately, the NCUA Board authorized the agency to automate the examination process using portable personal computers. NCUA was the first federal regulator to develop an automated core examination system and issue personal computers to all examiner staff. This new capability markedly improved the efficiency of examiner staff. By automating the mundane number-crunching functions, examiners are now free to evaluate financial trends and to discuss matters with management, staff and officials. Personal computers have permitted examiners the time to perform qualitative analysis while the computer performs much of the quantitative analysis.

Camel Rating System

To ensure the most effective use of resources, NCUA developed a system to rate credit unions according to relative risk. Beginning in 1971 and continuing through 1987, NCUA used the Early Warning System (EWS). EWS classified credit unions based on the examiner's evaluation during the annual examination process. This system served the agency well until the complexity of credit unions increased beyond the capacity of EWS to measure the risk. As a result, NCUA developed a CAMEL rating system which was implemented in fiscal year 1988. Although CAMEL rating systems have been established by other federal and state regulators, NCUA's CAMEL is unique to this agency. CAMEL established a set of criteria and ratios which are measured both quantitatively and qualitatively by each examiner during the on-site examination. CAMEL provided NCUA with a method of establishing more uniform and consistent results between examiners and from one period to another. Credit unions were also provided information about CAMEL and were encouraged to establish their own internal measurements in order to assess the relative strengths and weaknesses of the credit union. It is through this cooperative effort and sharing of information that credit unions and NCUA have achieved better understanding. CAMEL is a dynamic system serving the needs of both NCUA and credit unions in a changing environment.

Examiner Training - Professionalism Through Education

In 1970, when the Share Insurance Fund was established, NCUA's training focused almost entirely on on-the-job (OJT) training. Little formal classroom training was offered. While OJT provides the examiner with important, practical experience, the overall quality can vary. The key was the knowledge, experience, and ability of the trainer. With the advent of share insurance, it became obvious that NCUA had to establish a more uniform, structured approach to training its staff.

Over the past 20 years, the training program has grown and flourished. Today's examiner receives the most impressive variety of state of the art training in the history of the Agency. Over the past few years, the program has matured to provide examiners some of the highest quality training provided by any financial regulator. NCUA's examiner training is conducted in two phases.

The New Examiner Training Program

The New Examiner Training Program includes five formal classroom training programs, combined with extensive OJT training. Its goal is to develop a highly skilled, productive and motivated examiner. The training focuses on safety and soundness issues, the ability to identify adverse trends and potential problems, computer skills, and communication skills.

In 1990, NCUA established a new position, the Regional Training Specialist. Each Region identified one examiner that possessed the combination of technical skills and the ability to communicate this knowledge in a classroom environment. Regional Training Specialists devote approximately 50% of their time to training activities. With the advent of this position, NCUA's new examiner training has achieved a level of consistency that we have been seeking for years.

NCUA Regional Directors: (from left) H. Allen Carver - Region III, Nicholas Veghts - Region IV, Layne L. Bumgardner - Region I, John S. Ruffin - Region V, Foster C. Bryan - Region VI, and Daniel L. Murphy - Region II.

During fiscal year 1990, the following classes were conducted:

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
New Examiner - Level I	11	57	0	57
New Examiner - Level II	11	57	0	57
New Examiner - Level III	8	65	30	95
New Examiner - Level IV	9	53	48	101
New Examiner - Level V	9	46	43	89
Totals	48	278	121	399

Technical Seminars

NCUA's senior examiners are offered an array of technical seminars that offer an opportunity to stay up to date on key credit union issues. Each seminar focuses in on one key topic and explores the safety and soundness issues surrounding the topic. All seminars feature a variety of speakers that represent various segments of the credit union community. The faculty includes NCUA staff, industry leaders and acknowledged subject matter experts. In addition, NCUA uses the services of institutions of higher learning to conduct special programs for credit union examiners. During fiscal year 1990, the seminars shown to the right were conducted.

Seminar	Number of Sessions	Federal Examiners	State Examiners	Total Trained
Agricultural Lending	1	6	2	8
Asset-Liability Management	6	176	29	205
Commercial Lending	2	49	18	67
Advanced Commercial Lending	1	28	8	36
Real Estate Lending	6	220	25	245
Auditing Principles and Fraud Detection	3	213	15	228
Investments	4	186	27	213
Problem Resolution	6	86	25	111
OJT Trainer	1	21	0	21
Totals	30	985	149	1,134

FFIEC Training

In addition to conducting its own technical seminars, NCUA participates in training programs conducted by the Federal Financial Institutions Examination Council (FFIEC). These programs permit NCUA examiners to benefit from the knowledge and experiences of other financial regulators. In fiscal year 1990, 61 examiners attended FFIEC seminars. Courses include "White collar crime", "Off balance sheet risk", and many others.

Corporate Credit Union Examination Program

Corporate credit unions are credit unions for credit unions. They are the primary source of investment, liquidity and payment services for the nation's 13,000 natural person credit unions. Thirty of the corporate credit unions are federally insured (17 federal charters), and 13 are either privately insured or uninsured.

The idea of credit unions serving credit unions began when several large credit unions attempted to provide for the liquidity needs of other smaller credit unions. This "interlending" needed an intermediary to operate efficiently and corporate credit unions were formed to meet that need. The first corporate credit union was chartered in 1951 in Wichita, Kansas. During the next 20 years, corporate credit unions continued to be formed to meet the needs for external sources of credit for the rapidly increasing numbers of credit unions.

After years of planning, U.S. Central Credit Union was organized in March 1974 and quickly became the focal point which linked the corporate credit unions together into the Corporate Credit Union Network. A need also existed for a "central bank" dedicated solely to serving the emergency liquidity needs of the credit union movement. On October 1, 1979 the Central Liquidity Facility (CLF), a federally backed lender of last resort, became operational. U.S. Central Credit Union joined the CLF, becoming an "agent member" for corporate credit unions, which in turn, became agent members for their natural person credit union members. In one stroke, over 95 percent of all credit unions became members of the CLF which, along with the Corporate Credit Union Network, provides liquidity to natural person credit unions.

The Monetary Control Act of 1980 provided the Corporate Credit Union Network with direct access to Federal Reserve Bank services - services for which credit unions previously had to rely on the banking industry to provide. Since 1980, U.S. Central Credit Union and corporate credit unions, defined by the Act as "banker's banks", have expanded the benefits associated with economies of scale by providing "wholesale" correspondent services including investment, safekeeping, wire transfers and automated settlement, while continuing to be the primary providers of liquidity for their member credit unions.

In an effort to minimize risks in their investment portfolios, the Corporate Credit Union Network developed and voluntarily agreed to follow the Standards and Guidelines for Corporate Credit Unions. Only investments that meet stringent credit stan-

dards and are matched by amount and maturity against the source of funds qualify as permissible investments under the Standards and Guidelines.

NCUA has developed a team of 16 highly qualified examiners to perform examinations of all corporate credit unions. These examiners receive ongoing, specialized training to keep abreast of developments in the corporate credit union system as well as in the financial marketplace. In cooperation with the various state credit union supervisory authorities, NCUA corporate examiner staff conducted examinations of the books and records of all corporate credit unions (federal charter, state charter, privately insured and uninsured).

Quality Control Program

Quality control of the examination program has always been a serious concern of NCUA. A number of checks and balances have been built into the system to ensure that all problems have been adequately identified; that plans for corrective action are being implemented; and that results are uniform and consistent between examiners and from one period to another. A key component of quality control has been the supervisory examiner (SE) position. Credit union examiners all report to an SE. Each SE is responsible for managing a group of 10 to 15 examiners. SEs continually review examination reports to maintain a high quality product. Additionally, SEs monitor the activities of each credit union within the group, particularly problem credit unions, to ensure that expected results are being achieved. Additionally, each regional office maintains a staff to continually review the work of examiners and SEs to ensure that regional policies and goals are being achieved.

Beginning in 1990, NCUA instituted an additional level of quality control. The Office of Examination and Insurance conducts an annual quality control review of each regional office. The purpose of the quality control review is to ensure that national policies are being followed by each regional office and that regional policies and procedures are uniform and consistently applied throughout the country.

State Insurance Review Program

State programs have been significantly enhanced over the past two years resulting in a cooperative spirit between NCUA and state credit union regulators. In 1990, NCUA and the states worked jointly to preserve the financial health of federally insured state chartered credit unions (FISCUs) through consistent and quality examinations.

Most states now follow the Core examination format, and many utilize the Automated Core Examination System (ACES) using laptop computers. This was made possible by the laptop computer lease program which allows state credit union examiners to use NCUA's computers in conducting examinations of FISCUs.

In addition, many state examiners attended NCUA's formalized classroom training in 1990. This program has offered an opportunity for state examiners to gain advanced technical knowledge, as well as a platform on which to exchange ideas and thoughts with their peers.

Administrative Enforcement Actions

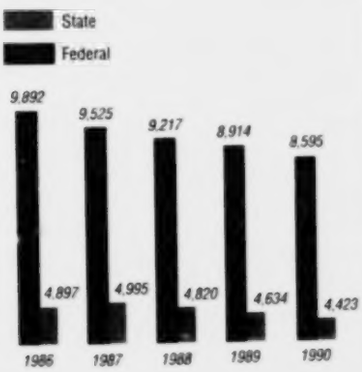
Administrative enforcement actions and other measures to respond to fraud and abuse in credit unions increased substantially during 1990. During the year, five cease-and-desist orders were issued compared to two in 1989. Removals, suspensions, and prohibitions increased from one in 1989 to 19 for 1990. The number of criminal referrals to the Justice Department rose from 696 in 1989 to 764 in 1990, with six reported as significant referrals (those involving a senior official, and/or having over $250,000 in potential losses, and/or having a material effect upon the credit union).

Scope of Insurance Coverage

The National Credit Union Share Insurance Fund is the largest insurer of credit union shares. At June 30, 1990, NCUSIF-insured credit unions had total insured deposits of $177 billion out of an estimated total of $200 billion in all credit union deposits nationwide. The table to the right summarizes the share insurance requirements of the 50 states and Puerto Rico.

During fiscal year 1990, the number of federally insured credit unions declined by 530 to 13,018. Federal credit unions continue to make up 66% of this number, and the remaining 4,423 are federally insured state-chartered credit unions. Actual changes in the numbers of federally insured credit unions are shown on the next page.

Number of Federally Insured Credit Unions



Law Requires Participation in Insurance Program of National Credit Union Administration

Alabama	District of Columbia	Mississippi	South Dakota
Arkansas	Maine	Nebraska	Vermont
Connecticut	Michigan	North Dakota	Wisconsin
Delaware	Minnesota	South Carolina	Wyoming

Law Requires Participation in Either the NCUA Program or Some Other Officially Approved Insurance Program

Alaska	Indiana	Nevada	Rhode Island
Arizona	Iowa	New Jersey	Tennessee
California	Kansas	New Mexico	Texas
Colorado	Kentucky	New York	Utah
Florida	Louisiana	North Carolina	Virginia
Georgia	Maryland	Ohio	Washington
Hawaii	Massachusetts	Oregon	West Virginia
Idaho*	Missouri	Pennsylvania	
Illinois	Montana	Puerto Rico	

No Requirement in Law on Share Insurance

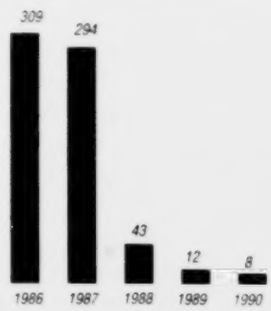
New Hampshire
Oklahoma**

* CU members may vote to remain uninsured
** CU must disclose lack of insurance

Although the number of credit unions dropped in 1990, the amount of insured shares in natural person credit unions is projected to increase by about 8% during the calendar year, raising total insured shares to $180 billion. Although deposit growth has stabilized within the past years, credit unions have maintained a higher rate of growth than banks and savings and loans during the same period.

The number of conversions of privately insured credit unions to the NCUSIF decreased from 12 in 1989 to eight in 1990. Since the Fund was capitalized in 1985, 905 credit unions have converted to NCUSIF. The large number of conversions in 1986 and 1987 was due to the voluntary closure of several guaranty corporations privately insuring credit union deposits.

Number of Conversions



Share Growth in Federally Insured Natural Person Credit Unions

(Dollars in Millions)

December 31	Shares Outstanding: Federal Credit Unions	Shares Outstanding: State Credit Unions	Total	Percentage Change from Prior Year Total Shares
1986	86,709	47,476	134,185	22.5%
1987	94,927	51,417	146,344	9.1%
1988	104,431	55,217	159,648	9.1%
1989	109,653	57,518	167,171	4.7%
1990*	118,000	62,000	180,000	9.6%

*Estimated for 12/31/90

Changes in Federally Insured Credit Unions

Fiscal Year 1990

	Federal Credit Unions	Federally Insured State Credit Unions	Total
Beginning Number 10/1/89	8,914	4,634	13,548
Additions:			
New Federal Charters	7	—	7
New State Charters with Federal Insurance Certificates	—	3	3
Conversions:	8	8	16
Resumed Operations:	21	9	30
Subtractions:			
Mergers			
Assisted	57	24	81
Voluntary	234	152	386
Liquidations:			
Involuntary	52	31	83
Voluntary	4	4	8
Conversions	1	14	15
Other	7	6	13
Ending Number 9/30/90	8,595	4,423	13,018
Net decrease	319	211	530

Financial Status of Federally Insured Credit Unions

As discussed earlier, the NCUA Board approved a change in the program used to assess the condition of federally insured credit unions from the Early Warning System (EWS) to the CAMEL Rating System effective October 1, 1987. Under CAMEL a credit union's rating may range from a code 1 to a code 5 credit union based upon an evaluation of financial data derived from the annual examination, the financial performance report, and several other measurements of safety and soundness. The CAMEL classifications are as follows:

CAMEL Code 1 Excellent
CAMEL Code 2 Good
CAMEL Code 3 Fair
CAMEL Code 4 Weak
CAMEL Code 5 Unsatisfactory

The tables to the right provide an analysis, by CAMEL code, of the number and percentage of shares of federally insured credit unions as of September 30, 1990.

In FY90, the number of Code 4 and 5 classifications decreased by 116, attributable to NCUA's improved supervision of troubled credit unions; however, total shares in those credit unions increased by $1 billion.

Distribution of Federally Insured Credit Unions by CAMEL Categories

CAMEL Category	As of* 9/30/86	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90
Codes 1 & 2	10,010	9,133	8,341	8,310	8,055
3	3,985	4,458	4,644	4,444	4,279
4	716	838	926	723	625
5	78	91	96	71	53
Totals	14,789	14,520	14,007	13,548	13,018

Percentage of Shares by CAMEL Category

CAMEL Category	As of* 9/30/86	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90
Codes 1 & 2	79.0%	76.5%	73.8%	75.4%	73.0%
3	16.1	18.6	19.9	19.8	22.1
4	4.7	4.7	6.0	4.6	4.7
5	.2	.2	.3	.2	.2
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Summary of CAMEL Code 4 and 5 Credit Unions

	9/30/89	9/30/90
Number of Code 4 and 5 credit unions	794	678
Percentage of insured credit unions	5.9%	5.2%
Shares in Code 4 and 5 credit unions	$8.4 Billion	$9.4 Billion
Percentage of Shares in all insured credit unions	4.8%	4.9%

*EWS Code system replaced by CAMEL 10/1/87.

Financial Assistance to Credit Unions

Risk management is the principle which underlies the NCUSIF's success. Active programs to assess risk and to take appropriate action to minimize loss have never been more important.

The management of risk entails identifying and controlling losses to meet insurance underwriting standards. The regulatory side of the agency is vital to carrying out the risk management function, and must work in concert with the Fund's assistance programs. Due to diversification of the insured's activities, competitive pressures and deregulation, the nature of risk and the necessary measures to deal with risk continue to evolve. Improvements in credit union capitalization and efforts to operate competatively while minimizing loss exposure directly assist the Fund. The unique nature of the insured's interest and ownership in the NCUSIF result in common goals between the Fund and the insured credit unions.

During 1990, the agency increased the emphasis on assisting credit unions and managing the risk of loss. Special Actions and Risk Management staff were increased and additional training was afforded these special examiners. The NCUSIF makes an effort to learn from losses to better minimize and control future losses. To this end, formal programs to study the common features of failed credit unions were instituted. The results were disseminated to all staff and used to bolster the supervision effort. The Asset Liquidation Management Center (ALMC) consolidated existing resources and added a dimension to deal with acquired assets (see ALMC section of report).

National and regional financial trends played an important role in the health of credit unions and the demands upon the Fund. Just as the southwest and midwest areas seemed to bottom out, the northeast began to experience problems with real estate lending. Intensifying competition by financial institutions placed pressure on marginal operations. The national trend toward real estate-secured lending requires new and additional expertise by credit unions in asset/liability management.

The NCUSIF can provide financial assistance directly to insured credit unions to avoid liquidation. The Fund exercised this provision during the fiscal year, but as part of an overall risk management program. The goal of the Fund is to minimize losses while ensuring a healthy community of insured credit unions.

Losses cannot all be avoided and are a natural consequence of credit union operations. Losses, as described elsewhere in this report and as summarized on the following table, have decreased and are at moderate levels. Although the number of credit unions receiving assistance is relatively small, the risk they represent to the Fund is significant. The return of these credit unions to profitable, self-sustaining operations is central to the successful use of assistance from the NCUSIF.

When credit unions become impaired financially, a decision concerning the propriety of financial assistance is made. If the credit union has a viable field of membership, good management, and has resolved the basic problems that were generating the financial losses, the NCUSIF can provide financial assistance. Significant resources are expended to ensure credit unions are assisted and salvaged to the maximum degree possible.

Financial assistance from the NCUSIF can be divided into the categories of non-cash or cash:

Changes in NCUSIF Guaranty Accounts Outstanding:

(Amounts in Thousands)

Guaranty Accounts Outstanding October 1, 1989 (43 cases)	$53,959
Increases	
21 credit unions needed initial assistance	40,020
8 credit unions needed additional assistance	14,554
Decreases	
10 credit unions merged/liquidated	(6,239)
12 credit unions completed amortization of assistance	(792)
Guaranty reduction in outstanding cases	(2,926)
Guaranty Accounts Outstanding September 30, 1990 (42 cases)	$98,576

Guaranty Accounts Outstanding by Type of Credit Union as of September 30, 1990

	Number	Amount Outstanding (in thousands)
Federal Credit Unions	26 (62%)	$84,855
Federally Insured State Credit Unions	16 (38%)	$13,721
Totals	42 (100%)	$98,576

Non-Cash Assistance

Non-cash special financial assistance is provided as a capital guaranty account which replaces a credit union's deficit in undivided earnings. The deficit in undivided earnings occurs when the credit union's losses and expenses exceed its ability to generate revenue. Guaranty accounts are necessary to provide full and fair disclosure of a credit union's financial condition. Adjustment of loan valuation was the most frequent valuation adjustment during the year. The guaranty allows the credit union to continue operating and paying dividends while it amortizes the negative net worth. A guaranty does not mask the financial condition of the credit union since the account is shown as deficit capital and clearly identified and footnoted. The credit union's assets are not overstated, nor the negative net worth understated. As of September 30, 1990, 42 credit unions reflected non-cash assistance of $98.6 million.

Any type of assistance from the Fund is granted conditionally. The problem that resulted in the losses or need for assistance must be immediately addressed and corrected. Action must also be taken by the credit union to improve its operations and financial performance. Almost all guaranty accounts are amortized on a predetermined schedule negotiated between the Agency staff and the credit union. The amortization schedule reflects profit improvement goals that the credit union's directors and management are committed to achieving.

Cash Assistance

The second type of financial assistance under Section 208 of the Federal Credit Union Act is in the form of loans or cash advances. Capital Notes have constituted the majority of this assistance over the past several years. Under this program, cash is advanced to a problem credit union in exchange for a subordinated note that is usually interest free. The primary intent of the cash infusion is to improve the credit union's income position by allowing it to acquire income producing assets to offset the effect of non-earning assets or accumulated losses. Capital Notes usually contain specific repayment schedules that reflect the earnings improvement projected for the credit union.

As of September 30, 1990, eleven credit unions had $67.9 million of cash assistance outstanding. During the year, six new credit unions received Capital Note assistance totaling $29.5 million.

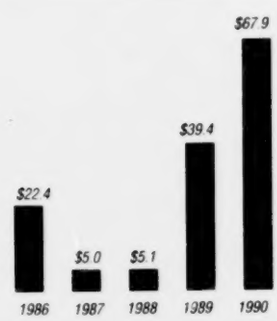
Changes in NCUSIF Cash Assistance Outstanding:

(Amounts in Thousands)

Cash Assistance Outstanding September 30, 1989 (8 cases)	$39,360
Increases	
6 credit unions needed initial assistance	29,515
1 credit union needed additional assistance	4,000
Decreases	
(5) credit unions earned incentive reductions	2,649
(3) credit unions repaid balance of assistance	2,335
Reduction in 11 cases	4,984
Cash Assistance Outstanding September 30, 1990 (11 cases)	$67,891

Non-Cash Assistance Outstanding
(In Millions)

Cash Assistance Outstanding
(In Millions)



Department of Operations

The Department of Operations was created in the spring of 1990, in conjunction with the reorganization of the Office of Examination and Insurance. While the various responsibilities within the purview of the new department are not new, the Department of Operations brings together a number of diverse but complementary functions that promote greater efficiency and expertise. This new department consists of individuals with specialized training and experience in electronic data processing (EDP) auditing, investments, accounting, data collection and analysis, and regulatory and consumer compliance. Major issues and activities of the department are discussed below.

Information Systems Audit and Review

Credit unions are becoming increasingly reliant on automated information systems. Whether the choice is an in-house computer or service bureau support, the proper management, implementation and control of computer-related services is critical to a credit union's operation and survival. Issues such as strategic planning, access controls, contingency planning and vendor support are among the important elements of an information systems operation. NCUA is aware of the potential for problems in these areas, and, as such, examiners are reviewing data processing systems and services as part of the regular examination process. The Department of Operations develops policy and provides training and specialized support in information systems management and controls for NCUA and the industry.

Accounting Policy and Guidance

During the last few years, NCUA has made a concerted effort to develop credit union accounting policies and guidelines which adhere to generally accepted accounting principles (GAAP). The public's best interests are served by adhering to GAAP whenever possible, while use of regulatory accounting practices (RAP) should only be employed under unusual circumstances for preserving safety and soundness, or because of philosophical differences which require departure from GAAP. The Department of Operations interprets authoritative accounting literature and provides credit unions with comprehensive procedures for maintaining accounting records, and guidelines and requirements for specialized accounting problems. Properly used, accounting techniques will assist credit union management in improving the analysis of the credit union's financial condition and in improving the planning process.

Investment Policy and Guidance

Next to loans to members, investments represent the largest portion of total credit union assets. Given the significant role that investments play in credit union operations, NCUA is keenly interested in developments in the capital markets and their potential impact on individual credit unions. Maintaining a viable investment program also requires NCUA to research specific investment products as they are introduced to the market place. In carrying out this aspect of the program, NCUA, through the Department of Operations, provides examiners and credit union officials with information as to the permissibility and risk characteristics of these new products.

Data Collection and Analysis

The need for more information about credit unions is ever-increasing. As the pace and complexity of today's financial markets grow, NCUA, in its role as a financial institution regulator, needs more data about credit unions, and needs it faster and more accurately reported than ever before. At the same time, NCUA recognizes its obligation to minimize credit unions' reporting burdens. It is while maintaining a balance between these needs and constraints that NCUA collects data via the semiannual call report. The data collected on the call report is used to analyze trends for each credit union, as well as for identifying important industry trends and pinpointing weaknesses in need of attention and corrective action.

Regulatory and Consumer Compliance

The credit union industry is subject to a multitude of regulatory and consumer compliance laws and regulations developed by other federal and state agencies. These laws and regulations directly affect the operation of federally insured credit unions. NCUA is aware of the potential for problems in this area, and, as such, examiners are reviewing compliance issues as part of the regular examination process. The Department of Operations is responsible for the development of manuals, position papers and other materials to keep credit unions, state regulatory authorities, trade organizations and NCUA staff advised of all pertinent laws and regulations relating to consumer protection and other compliance issues.

Asset Liquidation Management Center

The Asset Liquidation Management Center (ALMC), which became operational in 1989 under the direction of Region V, assumed an expanded mission independent of Regional control in March 1990. Prior to being restructured, the ALMC's mission was to minimize losses to the NCUSIF by managing and disposing of assets, primarily real estate, acquired from liquidated or troubled credit unions. Although the mission and concept of the ALMC was national in scope, its performance was essentially case specific and involved assets acquired from two large troubled credit unions in Region V.

The asset and management structure, however, was not adequate to meet the increasing percentage of real estate loans in the portfolios of federally insured credit unions. Of particular concern to the NCUA Board was the immediate adverse effect a single non-performing large real estate loan or a block of smaller non-performing real estate loans could have on a credit union's operations. To address this potential problem in credit union loan portfolios the NCUA Board determined that the ALMC must have the ability to respond rapidly to Regional requests for assistance in examining real estate portfolios, and to aggressively manage and dispose of assets acquired from troubled or liquidated credit unions.

Before March, NCUA's liquidation activity was the responsibility of Regions II and V. To improve consistency and efficiency, the NCUA Board decided to consolidate liquidation activity, and set up the nationally oriented ALMC in Austin, Texas. The Board appointed a President of the ALMC, responsible for directing the consolidated operations.

The restructured ALMC is currently organized into the Divisions of Liquidations, Asset Sales and Management, and Accounting and Administration. The ALMC has hired staff with outstanding credentials and experience in real estate.

Asset Sales and Management

During fiscal year 1990, the Division of Asset Sales and Management (ASM) aggressively marketed its properties and closed on 58 contracts (19 more than fiscal year 1989). The 58 properties had a book value of $15,717,775 and were sold for $15,542,023. During this same period 41 assets were purchased from troubled credit unions for $9,562,223. ASM ended the fiscal year with 68 assets, valued at $36,414,857, that were purchased as a part of assistance programs to return the credit unions to sound financial operations. In addition, ASM assumed management responsibility for 32 assets with a book value of $10,149,440. These assets were acquired as a result of liquidations.

Significant dispositions during fiscal year 1990 included a sale to a single purchaser of 31 lots for $1,147,000, a sale of a luxury residential home for $850,000, and sales of two small plazas for $575,000.

Liquidations

During the first five months of the fiscal year, NCUA's liquidation activity was managed by two different Regions. As previously noted, in March 1990, this activity was consolidated and transferred to the Division of Liquidations in Austin to improve overall operations. Throughout the fiscal year 83 credit unions were involuntarily liquidated, of which 28 were purchase and assumptions, with assets of $230,461,860. However, since March 1990, 56 of the 83 with assets totalling $180,537,764 were processed by the ALMC.

Significant payouts during fiscal year 1990 were the MSBA SCU and Amalgamated Taxi FCU. MSBA was unique in that it had multiple fields of membership throughout the United States and over 20,000 accounts. Because of the diverse fields of membership, most of which were small in number, the liquidation of MSBA took approximately one month. Amalgamated Taxi had over 4,000 accounts totalling $20,000,000. The payout of this credit union took two days. Since March 1990, share payouts averaged 5.69 days from the day of receipt to the day of payout. This time included all holidays and weekends.

The Division of Liquidations contracted with three primary collection agencies to collect any loan portfolios not sold at the time of liquidation. The value of the loan portfolios at the time of assignment, which total 99, was $157,061,051 with a value of $99,978,077.

NCUSIF Financial Review

The total number of credit union failures (liquidations and mergers) was 164 for 1990 compared to 114 for 1989. The increase is attributed primarily to the Agency's goal of reducing the number of Code 4 & 5 credit unions, either through an upgrade in rating due to improvement of financial condition, or through a merger or liquidation. While the number of failures increased, total costs to close these credit unions dropped over a third to $48.6 million compared to $74 million in 1989.

For 1990, the NCUSIF received its sixth consecutive unqualified audit opinion from its independent auditors. The audited financial statements and accompanying footnotes of the independent auditors begin on page 24 of this report. The NCUSIF continues to be the only federal deposit insurance fund that has its financial statements audited annually not only by the General Accounting Office (GAO), but also by an independent auditing firm. GAO is in the process of completing their review of the September 30, 1990 NCUSIF financial statements, and their report is expected early next year.

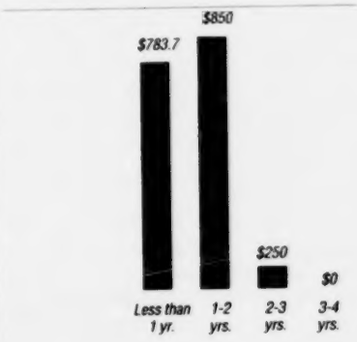
Also, for the sixth straight year, the NCUA Board waived the annual insurance premium of 1/12th of 1 percent of credit union deposits. For 1990, this saved credit unions $135 million in insurance expense. The cumulative effect of premium waivers for six years has resulted in a total savings to credit unions of $655 million. Insurance premiums have not been assessed because the investment income generated from credit unions' 1% capitalization deposits has been sufficient to cover all operating and financial costs and keep the Fund's operating level within the NCUA Board designated operating level of 1.25% - 1.30%.

Total Revenue

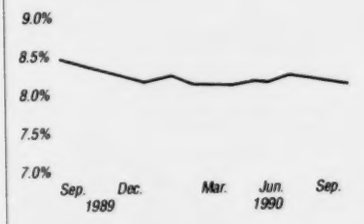
Total revenue of $160.3 million for FY90 million was 8% higher than 1989 revenue of $148.8 million. Total revenue is composed of investment income, interest on notes receivable, interest on some types of credit union assistance, and miscellaneous income on other assets. Over 98% of the Fund's income is generated from its U.S. Treasury investments.

By Federal statute, the investments of the NCUSIF are limited to direct obligations of the U.S. Treasury or securities guaranteed by the United States as to both principal and interest. The primary investment objectives of the NCUSIF are to provide adequate liquidity to meet the cash needs of the Fund and to obtain the maximum yield possible within maturity limits. The composition of the NCUSIF investment portfolio is entirely one-day Treasury certificates and Treasury Notes. At September 30, 1990, 42% of NCUSIF investments had maturities of one year or less, and none had maturity dates greater than three years. The average investment yield for the NCUSIF in 1990 was 8.22% compared to 8.08% in 1989.

Investment Portfolio
Maturity Schedule
(Par Value in Millions)



Investment Yield

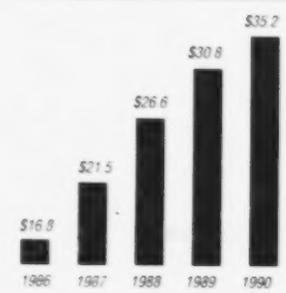


Administrative Expenses

Administrative costs increased $4.4 million in 1990 to $35.2 million. Over 77% of the increase is associated with the costs of operating and equipping the reorganized Asset Liquidation Management Center (ALMC), and costs incurred from training of state examiners.

Since 1985, all administrative costs (with the exception of ALMC and State training costs) of the NCUSIF are paid through an overhead transfer allocation. The NCUSIF transfers cash to the Agency's operating fund to cover a percentage of the Agency's total administrative costs budgeted for a fiscal year. This percentage, which is set by the NCUA Board based upon an annual review, remained at 50% for 1990. For the past five years, the amount of administrative costs, both direct and allocated, are shown below:

NCUSIF Administrative Expenses
(In Millions)



NCUSIF Administrative Costs
(Amounts in Thousands)

Fiscal Year	1986	1987	1988	1989	1990
Direct Expenses	$ 0	$ 0	$ 0	$ 2,048	$ 3,357
Allocated Expenses	16,822	21,466	26,588	28,769	31,796
Total Administrative Expenses	$16,822	$21,466	$26,588	$30,817	$35,153
% of NCUA Total Administrative Expenses	50.5%	50.5%	50.5%	53.6%	52.5%

Insurance Losses

The NCUSIF, under full accrual accounting, incurs insurance losses when loss reserves are established for those credit unions which management considers the greatest risk to the Fund (CAMEL code 4&5 credit unions). Moneys expended on failed institutions are not considered insurance losses (cash basis accounting); they are recorded as charges to the loss reserves.

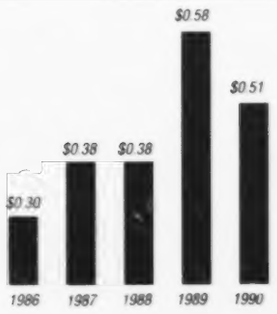
Credit unions coded 4 and 5 are divided into two groups for reserve evaluation purposes. Those having insured shares of $20 million or greater are reviewed case-by-case by both the Regional and Washington offices, while those in the under $20 million category are pooled and a historical loss factor is applied to their total insured shares. Pooled credit unions having projected losses of $1 million or greater are removed from the pool and established as a specific case. All NCUSIF reserves are audited at year-end by the Fund's independent auditors. In some cases, the auditors will visit a credit union to further assess potential loss. The following table shows the changes in the NCUSIF reserve levels and the amount of insurance losses for the past three fiscal years.

Insurance losses for 1990 decreased from $93.6 million to $90.0 million, a reduction of 4%. Consequently, losses per $1,000 of insured shares decreased to $.51 from $.58 in 1989. For the past five years, losses per thousand have averaged $.43. The overall reduction in loss per thousand is a direct result of the improvements made to the examination and supervision program, and the strengthening of the state examination process over the past several years.

Summary of Reserves Established for Potential Losses from Supervised Credit Unions
(Amounts in Thousands)

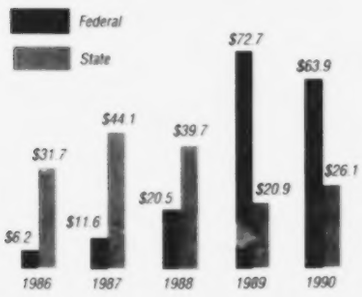
	FY 1988	FY 1989	FY 1990
Reserves - Beginning of Fiscal Year (October 1)	$53,221	$48,492	$40,912
Net Charges for Fiscal Year	(64,851)	(101,188)	(58,206)
Provisions for Insurance Losses	60,122	93,608	89,982
Reserves - End of Fiscal Year (September 30)	$48,492	$40,912	$72,688

NCUSIF Losses Per $1,000 of Insured Shares



Of the $90 million in losses for 1990, 71% were applicable to federal credit unions, compared to 78% for 1989. For every $1,000 of insured shares, federal credit unions cost the NCUSIF $.55, compared to $.43 for federally insured state chartered credit unions.

Insurance Loss
(In Millions)



Net Income

For 1990, net income grew to $35.1 million, almost 50% higher than the $24.4 million earned in 1989. Last year's low net income figure was attributable to the failure of Franklin Community Federal Credit Union.

Had the NCUA Board assessed an insurance premium for 1990, an additional $135 million would have been added to net income before dividends. In the twenty years of NCUSIF operations, the Fund has never shown a net loss.

Equity

Equity of the NCUSIF surpassed the $2 billion mark to $2.1 billion during 1990. The growth in equity was due to:

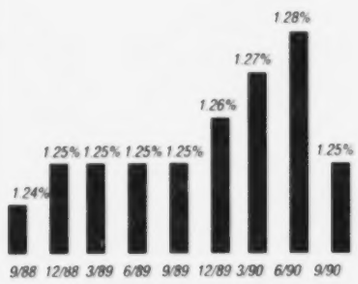
- $45 million increase in accumulated contributions from credit unions due to share growth; and
- $35 million in net income for the year.

The ratio of insured shares to equity was 1.28% at June 30, 1990, the end of the insurance year. A new share base of $177 billion was used to calculate the ratio beginning in July 1990, dropping the ratio to 1.25% at September 30, 1990. The ratio is projected to grow to the 1.27% - 1.28% range by June 30, 1991.

Income and Expense

Growth in Equity

Equity Ratio



Mergers, Liquidations, and Purchase & Assumptions

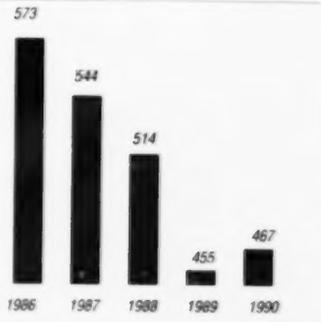
Mergers

The number of completed mergers for 1990 was 467 compared to 455 for 1989. In 1990, 81 of the mergers required some type of assistance from the NCUSIF. The cost of this assistance was $5.8 million. Over 75% of the assistance provided ($4.8 million) was in the form of immediate cash payments to facilitate the mergers, and the remaining 25% is extended cash assistance to cover losses on loans acquired and other asset disposition from the merging credit union. The remaining 386 mergers were completed without any cost to the NCUSIF.

The largest merger in 1990 was Hyde Park Co Op Federal Credit Union in Chicago, Illinois, which merged into United Credit Union. Hyde Park, which had shares of about $7 million, cost the Fund $800 thousand in merger costs for 1990.

The following table summarizes the assisted mergers for fiscal year 1990.

Number of Credit Union Mergers



Losses from NCUSIF Assisted Mergers
(In Millions)

Assisted Mergers Fiscal Year 1990

Merging Credit Union Continuing Credit Union	Date Approved	Shares of Merging Credit Union	Cost of Merger	Cost as a Percentage of Shares
Mergers with Costs Over $200,000				
Hyde Park Co Op FCU United CU	11/06/89	$ 7,408,000	$ 800,000	10.8%
Murray School District CU Granite District CU	08/15/90	3,130,000	488,000	15.6
American Family Financial CU American Federal Svgs. CU	10/01/90	4,620,000	400,000	8.7
United Medical FCU Embarcadero FCU	06/30/90	3,719,000	337,500	9.1
Mountain West Trades CU Idaho Central CU	03/31/90	1,183,000	300,000	25.4
Good Samaritan Hospital FCU Avon Products Emp. FCU	08/27/90	1,116,000	239,046	21.4
All Other Assisted Mergers - 75		96,166,000	3,229,692	3.4
Total Assisted Mergers - 81		$117,342,000	$5,794,238	4.9%

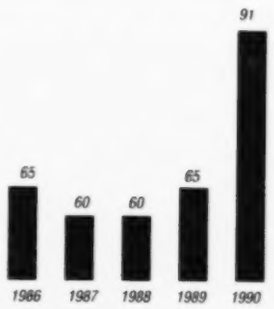
Liquidations

In fiscal year 1990, there were 91 liquidations of federally insured credit unions. Of this number, 83 were involuntary liquidations which cost the Fund $24 million as of September 30, 1990, less than half the cost of last year's liquidations. The remaining nine were voluntary liquidations, completed without any loss to the Fund.

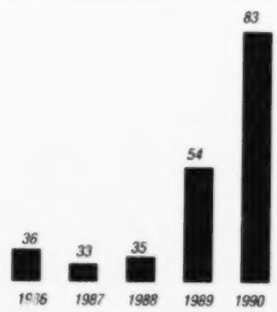
The largest liquidation loss in 1990 resulted from the failure of Amalgamated Taxi Federal Credit Union in Flushing, New York. This credit union was chartered in 1958 to serve employees of the Amalgamated Taxi Association, Inc. in New York. Inadequate lending policies, a high delinquency rate, and a large undivided earnings deficit resulted in the credit union's liquidation on August 17, 1990. The cost of liquidating the credit union was $6.9 million as of the end of the fiscal year, much less than the $39.2 cost of Franklin Community Federal Credit Union, the most costly credit union in 1989.

Occasionally, involuntary liquidations become Purchase and Assumptions (P&A). In a P&A, the Fund acquires segments of the liquidating credit union's assets and liabilities, and the remaining assets and liabilities are "merged" into an acquiring credit union. During 1990, 25 of the 83 involuntary liquidations became P&As requiring assistance from the NCUSIF. (P&As are discussed in further detail following this section.) The tables on the next page summarize NCUSIF liquidations.

Total Liquidations
Number of Cases



Involuntary Liquidations
Number of Cases



Involuntary Liquidations Fiscal Year 1990

Liquidated Credit Union	Date of Liquidation	Shares Outstanding When Credit Union Closed	Cost of Liquidation	Cost as a Percentage of Shares
Liquidations with costs over $500,000:				
Amalgamated Taxi FCU	08/17/90	$ 30,654,000	$ 6,860,461	22.4%
United Montana FCU	11/07/89	8,270,000	4,650,536	56.2
Henry Vogt Employees CU	01/08/90	7,875,000	2,707,392	34.4
Teamsters 584 FCU	01/05/90	2,772,000	1,067,704	38.5
Allegheny West Community FCU	11/28/89	1,862,000	927,083	49.8
Southern Nevada State Svgs & CU	07/30/90	5,508,000	899,766	16.3
Intermedics FCU	04/16/90	3,352,000	897,791	26.8
Holmes Employees FCU	01/11/90	808,000	677,286	83.8
MSBA CU	10/10/89	4,441,000	628,229	14.1
Viz Employees CU	07/05/90	1,125,000	511,891	45.5
All Other Involuntary Liquidations - 73		154,520,000	4,132,440	2.7
Total Involuntary Liquidations - 83		$221,187,000	$23,960,579	10.8%

Involuntary Liquidations: Five-Year History

Fiscal Year	1986	1987	1988	1989	1990
Number of Involuntary Liquidations Commenced	36	33	35	54	83
Shares Paid (Thousands)*	$22,168	$3,213	$36,110	$21,687	$70,875
Percentage of Shares Paid to Total Insured Shares (June 30)	0.020%	0.002%	0.023%	0.013%	0.040%
Average Payout Per Credit Union Liquidated (Thousands)	$ 500.0	$615.8	$ 97.4	$401.6	$853.9

*Does not include Purchase and Assumptions

NCUSIF Liquidation Recovery History

Fiscal Year in which Case Closed	Recovery Percentages: Federal Credit Unions	State Credit Unions	All Cases	Net Loss in Closed Cases Millions
1986	49.4%	87.5%	57.9%	$5.1
1987	83.3	90.9	87.0	1.4
1988	79.3	37.3	56.8	3.6
1989	56.4	66.7	66.6	7.5
1990	66.2%	49.8%	53.8%	$7.7

Purchase and Assumptions (P&A)

As mentioned earlier, a P&A transaction initially begins as an involuntary liquidation; however, in accordance with a P&A agreement, some of the assets and in most cases all of the shares of an "assumed" credit union are transferred to a "purchasing" credit union. A P&A arrangement contains elements of both involuntary liquidation and merger, and is less costly than an involuntary liquidation, but more costly than a merger.

To facilitate a P&A, the NCUSIF usually provides some form of cash assistance to the acquiring credit union similar to the assistance provided in a merger agreement. In 1990, there were 25 P&As requiring assistance from the NCUSIF, and 3 P&As requiring no assistance from the NCUSIF. The following table summarizes P&As for 1990:

Purchase and Assumptions Fiscal Year 1990

Assumed Credit Union Purchasing Credit Union	Date Approved	Cost of P&A	Cost as a Percentage of Shares
Credit Union 1 of Salina Great Plains FCU	10/01/90	$ 5,541,320	24.2%
Rocky Mountain FCU Bellco CU	06/20/90	4,331,617	12.4
Avondale Mills Bevelle FCU Mutual Savings CU	09/06/90	2,089,364	109.1
World and Tribune FCU Oklahoma FCU	04/06/90	1,050,000	5.1
Auto Accessories CU LorMet Allied CU	07/31/90	1,000,000	7.9
Associated FCU Arizona FCU	06/30/89	713,772	6.9
First Central CU of Memphis Navy Memphis FCU	05/29/90	548,242	10.7
All Other Assisted P&As - 18		3,656,858	9.4%
Total - 25 Cases		$18,931,173	12.9%

Financial Reporting Practices

The NCUSIF has completed eight years of full accrual accounting under Generally Accepted Accounting Principles (GAAP). GAAP accounting for any insurance program requires adequate reserves for known and anticipated losses. Deposit insurance accounting under GAAP requires two such reserves: One anticipates future cash outlays under guarantees issued when credit unions are merged with assistance or their assets are sold to third parties. The other reserve anticipates future losses from problem credit unions, i.e., those currently classified as weak or unsatisfactory.

Future losses from problem credit unions is the harder loss to estimate. However, an accurate estimate of future losses, based on historical data and case-by-case reviews, will fairly disclose losses that should be recognized today. The confidence credit union members can place in the Fund is directly related to the ability of its management to identify and control those losses.

The Fund's adherence to GAAP is unique among the federal deposit insurers. The NCUSIF is the only Federal deposit insurance fund that establishes balance sheet reserves for anticipated future losses for all problem institutions. Moreover, the increased financial disclosure required by GAAP strengthens the reliance which can be placed upon the Fund's financial statements. To reinforce this reporting standard, the Fund has retained Price Waterhouse, an international accounting firm, to audit the Fund's financial statements, including its loss estimates. Price Waterhouse's unqualified opinion on the Fund's financial statements is shown in full beginning on the next page.

Insurance Fund Report and Financial Statements
for the Years Ended
September 30, 1990 and 1989

Report of Independent Accountants

Price Waterhouse

To the Board of the
National Credit Union Administration

In our opinion, the statements appearing on pages 25-30 of this report present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund at September 30, 1990 and 1989 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Share Insurance Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, DC
November 15, 1990

Balance Sheets

Assets	September 30, 1990	1989
Cash, including cash equivalents of $83,249,644 and $514,044,000 (Notes B and E)	$ 84,280,898	$ 524,979,629
Investments (Notes B and E)	1,814,885,712	1,323,909,955
Capital notes advanced to insured credit unions	67,890,846	39,359,717
Note receivable - National Credit Union Administration Operating Fund (Note H)	1,960,768	2,052,768
Other notes receivables (Note F)	13,013,688	8,732,014
Other receivables	2,170,087	8,310,797
Assets acquired in assistance to insured credit unions:		
Liquidating and acquired credit union assets	127,803,380	105,545,042
Allowance for losses on acquired assets	(21,200,000)	(23,501,000)
	106,603,380	82,044,042
Accrued interest receivable	53,674,828	40,101,853
Total assets	$2,144,480,185	$2,029,490,772
Liabilities and Fund Capitalization		
Due to National Credit Union Administration Operating Fund (Note H)	$ 626,080	$ 191,721
Accounts payable	302,442	
Amounts due to insured shareholders of liquidated credit unions	15,204,879	9,331,655
Estimated losses from supervised credit unions (Note C)	72,688,000	40,912,000
Estimated losses from asset and merger guarantees (Note C)	3,024,000	6,553,000
Total liabilities	91,845,381	56,988,376
Fund capitalization		
Insured credit unions' accumulated contributions (Note D)	1,613,976,947	1,568,974,263
Insurance fund balance	438,657,857	403,528,133
Total fund capitalization	2,052,634,804	1,972,502,396
Commitments (Notes C and H)		
Total liabilities and fund capitalization	$2,144,480,185	$2,029,490,772

The accompanying notes are an integral part of these financial statements.

Statements of Operations

	Year ended September 30,	
Revenue:	1990	1989
Interest income	$189,085,593	$147,900,139
Other income	1,168,838	699,673
Total revenue	190,254,441	148,599,812
Expenses:		
Administrative expenses (Note H)		
Employee wages and benefits	22,263,874	19,973,269
Travel expense	3,648,449	3,037,874
Rent, communications, and utilities	2,306,433	2,107,639
Contracted services	1,232,397	1,652,585
Other administrative	5,699,764	4,116,585
Total administrative expenses	35,152,717	30,887,952
Provision for insurance losses	89,982,000	94,337,000
Total expenses	125,134,717	125,224,952
Excess of revenue	$ 35,129,724	$ 24,374,757

Statements of Insured Credit Union Accumulated Contributions and Insurance Fund Balance

	Insured Credit Union Accumulated Contributions	Insurance Fund Balance
Balance at September 30, 1988	$1,476,757,851	$379,153,376
Contributions from insured credit unions, net	92,216,412	
Excess of revenue		24,374,757
Balance at September 30, 1989	1,568,974,263	403,528,133
Contributions from insured credit unions, net	45,002,684	
Excess of revenue		35,129,724
Balance at September 30, 1990	$1,613,976,947	$438,657,857

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Year ended September 30,	
	1990	1989
Cash flows from operating activities:		
Excess of revenue	$ 35,129,724	$ 24,374,757
Adjustments to reconcile excess of revenue to net cash provided (used) by operating activities:		
Provision for insurance losses	88,982,000	93,008,000
Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(81,795,000)	(97,278,000)
Changes in operating assets and liabilities:		
(Increase) in advances to credit unions	(28,531,129)	(34,243,208)
(Increase) in other notes receivables	(4,281,674)	(8,732,014)
Decrease (increase) in other receivables	6,140,730	(8,310,797)
(Increase) in assets acquired from credit unions, net	(24,559,338)	(12,169,208)
(Increase) in accrued interest receivable	(13,572,975)	(9,389,310)
Increase (decrease) in amounts due to National Credit Union Administration Operating Fund	434,338	(529,101)
Increase (decrease) in amounts due to insured shareholders of liquidated credit unions	5,873,224	(2,958,212)
Increase in accounts payable	302,442	
Net cash provided (used) by operating activities	5,182,343	(55,619,089)
Cash flows from investing activities:		
(Increase) decrease in investments, net	(490,975,757)	240,937,999
Collections on note receivable - National Credit Union Administration Operating Fund	72,000	72,000
Net Cash (used) provided by investing activities	(490,903,757)	241,009,999
Cash flows from financing activities:		
Contributions from insured credit unions, net	45,002,684	92,216,412
Net (decrease) increase in cash and cash equivalents	(440,718,730)	277,607,322
Cash and cash equivalents at beginning of year	524,979,628	247,372,306
Cash and cash equivalents at end of year	$ 84,260,898	$524,979,628
Composed of:		
Cash	$ 1,011,254	$ 10,935,628
Cash equivalents - U.S. Government securities with maturities less than 3 months	83,249,644	514,044,000
Total	$ 84,260,898	$524,979,628

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements September 30, 1990

Note A - Organization and Purpose

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder.

NCUA exercises direct supervisory authority over federal credit unions and coordinates any required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semi-annual basis and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctible. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is determined to be infeasible, a merger partner may be sought. If the assistance or merger alternatives are not considered practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not considered practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are at times guaranteed to third-party purchasers by the Fund.

Note B - Significant Accounting Policies

Cash Equivalents and Investments

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount. Cash equivalents are highly liquid investments with original maturities of three months or less.

Advances to Insured Credit Unions

The Fund provides cash assistance in the form of interest and non-interest bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.

Assets Acquired from Credit Unions

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring non-performing assets of a credit union experiencing financial difficulty. Such assets acquired are recorded at their estimated net realizable value.

Insurance Premium Revenue

The Fund could assess each insured credit union a regular annual premium of 1/12 of 1% of member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of June 30 of the preceding fiscal year. The NCUA Board waived the 1990 and 1989 share insurance premium.

Income Taxes

The Fund is exempt from Federal income taxes under 501(c)(1) of the Internal Revenue Code.

Note C - Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund at times will extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately $6,600,000 and $12,891,000 at September 30, 1990 and 1989, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30, 1990 and 1989 was as follows:

	Year ended September 30,	
	1990	1989
Beginning balance	$47,485,000	$51,135,000
Provision for insurance losses	89,982,000	93,608,000
Insurance losses and transfers to the allowance for losses on acquired assets	(74,165,957)	(114,750,000)
Recoveries	12,430,957	17,472,000
Ending Balance	$75,712,000	$47,485,000

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1990 and 1989 are approximately $35,943,000 and $60,977,000, respectively.

Note D - Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1% of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The aggregate contributions of $1,613,976,947 at September 30, 1990, consists of $1,530,103,924 of insured credit union accumulated contributions and $83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions in 1984. Total insured shares at June 30, 1990 were $176,624,550,000 for which additional net contributions of approximately $152,268,553 will be payable to the Fund in January 1991.

The law requires that upon receipt of the 1% contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be a range of 1.25% to 1.3% of insured shares.

The NCUA Board did not declare any dividends during 1990 or 1989.

Note E - Cash Equivalents and Investments

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Cash equivalents and investments consist of the following information in the table below.

Note F - Other Notes Receivable

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 9.5% to 12%. The other notes receivable balance at September 30, 1990 and 1989 was $13,013,688 and $8,732,014 respectively.

Note G - Available Borrowings

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The Central Liquidity Facility of NCUA is authorized to make advances to the Fund under such terms and conditions as may be established by the NCUA Board. No amounts were borrowed from these sources during 1990 or 1989.

Note H - Transactions with NCUA Operating Fund

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA's Board of Directors derived from a study conducted by these Funds of actual usage. The allocation factor was 50% to the Fund and 50% to the NCUA Operating Fund in the years ended September 30, 1990 and 1989. The cost of services provided by the NCUA Operating Fund was approximately $31,796,000 and $28,769,000 for 1990 and 1989, respectively, and includes pension contributions of approximately $1,802,350 and $1,572,500 for 1990 and 1989, respectively, to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty year unsecured term note with the NCUA Operating Fund. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal years 1990 and 1989 was approximately 8.22% and 8.1%, respectively. The note receivable balance at September 30, 1990 was $1,980,766.

The NCUA Operating Fund leases certain office space under lease agreements which expire through 1998. The future minimum aggregate lease payments through expiration of the leases are approximately $9,531,000 at September 30, 1990. Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1990, the Fund will reimburse the NCUA Operating Fund for approximately 50% of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $1,320,000 and $1,140,000 for 1990 and 1989, respectively. The amounts were derived using the current annual allocation factor.

	September 30, 1990			
	Yield to Maturity at Market	Book Value	Market Value	Face Value
Cash Equivalents				
U.S. Treasury Securities - overnight funds	8.92%	$ 83,249,644	$ 83,249,644	$ 83,249,644
U.S. Treasury Securities				
Maturities up to one year	8.26%	$ 699,797,037	$ 702,696,000	$ 700,196,000
Maturities over one year	8.99%	1,115,088,675	1,118,322,920	1,100,197,920
		$1,814,885,712	$1,821,018,920	$1,800,393,920

	September 30, 1989			
	Yield to Maturity at Market	Book Value	Market Value	Face Value
Cash Equivalents				
U.S. Treasury Securities - overnight funds	9.43%	$ 514,044,000	$ 514,044,000	$ 514,044,000
U.S. Treasury Securities				
Maturities up to one year	7.86%	$ 524,292,182	$ 523,191,188	$ 525,199,000
Maturities over one year	8.35%	799,617,773	797,350,000	800,600,000
		$1,323,909,955	$1,320,541,188	$1,325,799,000

Total investment purchases and sales during fiscal year 1990 are approximately $1,015,429,000 and $524,093,000, respectively. Total investment purchases and sales during fiscal year 1989 are approximately $88,806,314,000 and $88,782,570,000, respectively. It was not practical to separate the purchases and sales during 1989 by maturity date; therefore, these amounts include investment transactions with maturities greater than three months and cash equivalents.

Ten Year Financial Trend

Fiscal Year	1981	1982	1983	1984	1985
Income (thousands)					
Regular Premium-Federal	$27,857	$29,656	$33,878	$40,404	$10,506
Regular Premium-State	14,077	15,197	17,374	19,761	5,206
Special Premium-Federal	—	19,419	34,561	—	—
Special Premium-State	—	10,526	17,725	—	—
Interest Income	19,033	18,358	20,141	30,088	83,789
Other	1,655	1,883	1,357	878	708
Total Income	$82,422	$95,041	$125,036	$91,151	$100,213
Expenses (thousands)					
Operating	$9,314	$10,813	$10,315	$10,426	$10,927
Insurance Losses	43,746	77,458	85,080	28,088	25,472
Losses on Investment Sales	—	1,805	1,796	2,326	—
Other	119	1,822	577	—	—
Total Expenses	$53,179	$91,898	$97,748	$40,820	$36,399
Net Income (thousands)	**$9,243**	**$3,143**	**$27,288**	**$50,331**	**$63,814**
Fiscal Year-end Data:					
Total Equity (thousands)	$174,716	$177,921	$235,269	$285,540	$1,118,256
Equity as a Percentage of Shares in NCUSIF-Insured Credit Unions	0.302%	0.259%	0.292%	0.313%	1.28%
Contingent Liabilities (thousands)[1]	$171,718	$148,068	$67,338	$23,936	$4,131
Contingent Liabilities as a Percentage of Equity	98.3%	83.6%	29.7%	8.4%	0.4%
NCUSIF Loss per $1,000 of Insured Shares	$0.83	$1.28	$0.77	$0.34	$0.26
Operating Ratios:					
Premium Income	68.9%	78.7%	82.8%	86.0%	15.7%
Interest Income	30.5%	19.3%	16.1%	33.0%	83.6%
Other Income	2.6%	2.0%	1.1%	1.0%	0.7%
Operating Expenses	14.9%	11.4%	8.3%	11.4%	10.9%
Insurance Losses	83.5%	81.5%	44.0%	30.8%	25.4%
Other Expenses	6.8%	3.8%	1.9%	2.6%	—
Total Expenses	85.2%	96.7%	54.2%	44.8%	36.3%
Net Income	14.8%	3.3%	45.8%	55.2%	63.7%
Involuntary Liquidations Commenced					
Number	251	160	50	38	31
Share Payouts (thousands)	$78,639	$39,882	$9,954	$34,840	$15,499
Share Payouts as a Percentage of Total Insured Shares	0.136%	0.058%	0.012%	0.039%	0.014%

Footnotes:

[1] Effective with fiscal year 1983, Contingent Liabilities excludes the amount of Guaranty Account assistance outstanding. Balance sheet reserves for potential losses in supervised credit unions fully provide for all losses that might arise from Guaranty Account assistance.

Fiscal Year	1986	1987	1988	1989	1990
Income (thousands)					
Regular Premium-Federal	—	—	—	—	—
Regular Premium-State	—	—	—	—	—
Special Premium-Federal	—	—	—	—	—
Special Premium-State	—	—	—	—	—
Interest Income	121,080	112,407	127,075	146,612	159,096
Other	346	339	530	2,188	1,169
Total Income	$121,426	$112,746	$127,605	$148,800	$160,264
Expenses (thousands)					
Operating	$16,822	$21,466	$26,588	$30,817	$35,153
Insurance Losses	37,864	55,732	60,122	93,608	89,982
Losses on Investment Sales	—	—	—	—	—
Other	—	—	—	—	—
Total Expenses	$54,686	$77,198	$86,710	$124,425	$125,135
Net Income (thousands)	**$66,740**	**$35,548**	**$40,894**	**$24,375**	**$35,130**
Fiscal Year-end Data:					
Total Equity (thousands)	**$1,411,391**	**$1,682,251**	**$1,855,911**	**$1,972,582**	**$2,052,605**
Equity as a Percentage of NCUSIF-Insured Credit Unions	1.23%[2]	1.23%	1.24%	1.25%	1.25%
Contingent Liabilities (thousands)1	**$4,864**	**$5,572**	**$3,407**	**$10,063**	**$7,883**
Contingent Liabilities as a	0.3%	0.3%	0.2%	0.5%	0.4%
NCUSIF Loss per $1,000 of Insured Shares	$0.30	$0.38	$0.38	$0.58	$0.51
Operating Ratios:					
Premium Income	—	—	—	—	—
Interest Income	99.7%	99.7%	99.6%	98.5%	99.3%
Other Income	0.3%	0.3%	0.4%	1.5%	0.7%
Operating Expenses	13.9%	19.1%	20.8%	20.7%	21.9%
Insurance Losses	31.2%	49.4%	47.1%	62.9%	56.1%
Other Expenses	—	—	—	—	—
Total Expenses	45.1%	68.5%	67.9%	83.6%	78.1%
Net Income	54.9%	31.5%	32.1%	17.4%	21.9%
Involuntary Liquidations Commenced					
Number	36	33	35	54	83
Share Payouts (thousands)	$22,168	$3,213	$36,110	$21,687	$70,875
Share Payouts as a Percentage of Total Insured Shares	0.020%	0.002%	0.023%	0.013%	0.040%

Footnotes:

[2]In July 1986, the NCUA Board approved a change in the insurance year from December 31 to June 30. Effective with fical year 1986, the equity percentage is based upon June 30 insured shares.

End of Calendar Year	1981	1982	1983	1984	1985
Shares in NCUSIF-Insured Credit Unions (millions)[1]					
Federal Credit Unions	$35,250	$41,352	$49,889	$57,927	$71,615
State Credit Unions	18,902	21,638	24,850	26,327	37,917
Total Shares	$54,152	$62,990	$74,739	$84,254	$109,532
Number of Member Accounts in NCUSIF-Insured Credit Unions (thousands)					
Federal	28,595	26,095	26,700	28,170	29,576
State	14,657	13,160	13,460	15,205	15,689
Total	43,252	39,255	40,160	43,288	45,265
Number of NCUSIF-Insured Credit Unions					
Federal	11,969	11,631	10,963	10,547	10,125
State	4,994	5,023	4,915	4,645	4,920
Total	16,963	16,654	15,878	15,192	15,045
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	81.5%	82.9%	83.8%	82.0%	91.6%
State Credit Union Portion of Insured Shares	34.9%	34.4%	33.3%	31.3%	34.6%
End of Fiscal Year	1981	1982	1983	1984	1985
Assistance to Avoid Liquidation:					
Capital Notes and Other Cash Advances Outstanding	$8,388	$16,839	$31,838	$36,413	$33,266
Noncash Guaranty Accounts	$42,922	$48,786	$52,736	$54,213	$36,946
Number of active cases	114	124	113	72	45
Problem Case Insured Credit Unions (Codes 4 and 5):					
Number	1,174	1,192	1,124	872	742
Shares (millions)	$2,960	$4,590	$4,652	$4,071	$4,055
Problem case shares as a Percentage of Insured Shares	5.2%	6.7%	5.9%	4.7%	3.9%
Mergers: (fiscal year)					
Assisted[2]	98	167	203	92	63
Unassisted	235	272[3]	503	550	514

Footnotes:

[1]Insured shares in Federally Insured Natural Person Credit Unions only.

[2]Assisted merger cases were not separately identified until 1981.

[3]1982 reflects nine months' activity (January 1, 1982 through September 30, 1982) to coincided with fiscal year. Prior to 1982, information on merger cases was reported on a calendar year basis.

End of Calendar Year	1986	1987	1988	1989	1990[4]
Shares in NCUSIF-Insured Credit Unions (millions)[1]					
Federal Credit Unions	$86,709	$94,927	$104,431	$109,653	$118,000
State Credit Unions	47,476	51,417	55,217	57,518	62,000
Total Shares	$134,185	$146,344	$159,648	$167,171	$180,000
Number of Member Accounts in NCUSIF-Insured Credit Unions (thousands)					
Federal	31,041	32,067	57,235	53,301	56,000
State	17,362	17,999	27,376	32,547	33,000
Total	48,403	50,066	84,611	85,848	89,000
Number of NCUSIF-Insured Credit Unions					
Federal	9,758	9,401	9,118	8,821	8,550
State	4,935	4,934	4,760	4,550	4,400
Total	14,693	14,335	13,878	13,371	12,950
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	96.4%	96.0%	96.1%	96.0%	96.0%
State Credit Union Portion of Insured Shares	35.4%	35.1%	34.6%	34.4%	34.4%
End of Fiscal Year	1986	1987	1988	1989	1990
Assistance to Avoid Liquidation:					
Capital Notes and Other Cash Advances Outstanding	$22,396	$5,031	$5,117	$39,360	$67,891
Noncash Guaranty Accounts	$39,903	$39,564	$41,127	$53,959	$98,600
Number of active cases	30	16	25	43	42
Problem Case Insured Credit Unions (Codes 4 and 5):					
Number	794	929	1,022	794	678
Shares (millions)	$6,611	$8,135	$10,600	$8,400	$9,400
Problem case shares as a Percentage of Insured Shares	4.9%	4.9%	6.3%	4.8%	4.9%
Mergers: (fiscal year)					
Assisted	58	55	50	60	81
Unassisted	515	489	464	395	386

Footnotes:
[4]Estimated amounts as of December 31, 1990.

Legislative History and Organization

The National Credit Union Share Insurance Fund (NCUSIF) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) on October 19, 1970 without taxpayer moneys. The Fund was established as a revolving fund in the Treasury of the United States under the management of the Administrator of NCUA (now the NCUA Board). The Act directed the Administrator to insure member accounts in all federal credit unions and to qualifying state credit unions that requested insurance. The maximum amount of insurance was set initially at $20,000 per member account. This maximum was raised to $40,000 by Public Law 93-495 (October 29, 1974) and the current level of $100,000 by Public Law 96-221 (March 31, 1980). Public Law 98-369 (July 18, 1984) provided for the capitalization of the NCUSIF by having each credit union deposit 1% of their insured shares into the Fund.

Money in the Fund can be used by the Board for insurance payments, for assistance authorized in the Federal Credit Union Act in connection with the liquidation or threatened liquidation of insured credit unions, and for expenses incurred in connection with carrying out the Act's purposes.

Organization

NCUA has a central office in Washington, DC, and six regional offices in Albany, New York; Washington, D.C.; Atlanta, Georgia; Itasca, Illinois; Austin, Texas (Suboffice in Sioux City, Iowa); and Concord, California. Of the Agency's 909 employees, 747 are assigned to the regions. The regional offices are responsible for examining and supervising all federal and federally insured state-chartered credit unions. The regional offices perform the initial reviews of insurance applications and requests for financial assistance under Section 208 of the Federal Credit Union Act. They also are responsible for performing continued insurability reviews and for making timely payment of insured member accounts in liquidation cases.

The NCUA Board and its staff are located in the central office in Washington, D.C. The central office's primary role is to provide support to regional offices. The accounting records and investments for the Fund are also managed from Washington, D.C.

NCUA Board

Roger W. Jepsen, Chairman
Robert H. Swan, Board Member

Donald E. Johnson, Executive Director
Robert M. Fenner, General Counsel

Office of Examination and Insurance
D. Michael Riley, Director
David Marquis, Deputy Director
Department of Insurance
Dennis Winans, Director
Department of Operations
Alonzo Swann, Director
Department of Risk Management
Gary Vopat, Director
Department of Supervision
Timothy Hornbrook, Director

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Seated left to right,
Insurance Director
Dennis Winans,
Risk Management Director
Gary Vopat,
Operations Director
Alonzo Swann.
Standing,
Office of Examination and
Insurance Director
D. Michael Riley,
Supervision Director
Timothy Hornbrook,
and Deputy Director, Office of
Examination and Insurance
David Marquis.

National Credit Union Administration

Regional Offices

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Regional Director
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